

The UK on the Verge of Leaving the European Union – An Alarming Prospect!

Executive Summary

This is the second article by Centre for Factories of the Future (C4FF). In the first article published in April 2016 (http://www.marifuture.org/Publications/Articles/Brexit_Report_II.pdf) C4FF predicted that the UK will remain in the EU, but just in a matter of a few weeks, the tides have squarely turned against the 'stay' campaigners with the majority of the eligible UK voters wishing to leave the EU. This is an alarming prospect for the well-being of the UK in the medium to long term.

In the previous article it was reported that C4FF has two formidable tools, a powerful forecaster and a novel voting platform. The powerful C4FF forecaster, using a 3-dimensional Neural Network, predicted in late April 2016 that under the current circumstances Britain will remain in the EU with at least 53% of the UK population wishing to remain in the EU. As of 6th June 2016 using the same set of tools it is predicted that the UK will be leaving the EU with some 52% wishing to do so. The voting platform is a sophisticated system to seek the views of the public and also give them an opportunity to suggest how things can be improved irrespective of the UK staying or leaving the EU. The crucial determining factor as to why the UK will be leaving the EU is the seemingly uncontrolled inflow of immigrants, an argument primarily favoured by the leave campaigners falsely suggesting that the EU is responsible for this uncontrolled inflow of mainly refugees which can easily be proved to be false. The treatment of the refugees across the EU borders clearly shows the inhuman treatment of many of refugees, the majority of whom are fleeing unnecessary wars initiated on false premises by the West and fuelled primarily by war machines in the US and the UK.

The majority of SMEs favour overwhelmingly that the UK should stay in the EU. C4FF figures confirm the findings of several surveys of SMEs where some 75% of these companies would wish to remain within the EU. SMEs form over 90% of all enterprises in the UK. These companies are the future of the UK. To this end, they should have a greater voice which has not been the case so far. The departure of the UK is now more probable than not and hence should be considered a reality as the tide has turned and the leave campaigners seem to have the upper hand. The question is will the UK departure from the EU lead to uncertainties in the world or will this departure lead to other EU member countries deciding to leave the EU too and what would be the impact of such scenarios on the UK on the one hand and the world economy and security on the other. It is clear that the UK departure will have a severe impact on the UK economy in the medium to long term which could be negative or positive but it is more likely to be negative as the UK, as the smaller and more dependant entity, will have to deal with Asian giants such as China and Western giants such as the USA on its own. If the current turmoil in the EU continues, which seems likely, it will be more likely that the EU will put the interests of its own member states first, when dealing with the UK. There is no guarantee that the UK will be more secure as most of the threats so far have been home grown or based on wars in the Middle East, sadly mainly instigated by the US and the UK. An independent UK with more right wing tendencies, most probably, will not be able to carry out social engineering projects which would make the population more coherent. The impact on environmental issues and people's jobs, security and individual's freedom could also be negative. The UK despite knowing the dangers of tobacco for many decades failed to protect its population albeit mainly due to economic factors and in recent years rescued the banks for the same reason, to this end, it is clear that future economic pressures, which are likely to be more prominent if the UK leaves the EU, will impact negatively on the people of the UK. On a more quantitative analysis, staying in or leaving the EU, it is worth noting that the EU has over 500 million customers and the UK has unhindered access to this large market place and can initiate changes to its wellbeing particularly since the UK is one of the larger member countries and hence has a larger representation at the EU's main organs. In the last year alone there has been a steady but significant inflow of investment into the UK worth some 200

million EUR per day; this is hugely significant and should not be underestimated as the wellbeing of the UK depends on it, in the short, medium and long term. What is often not taken into consideration is the level and quantity of export from the UK to the EU; some 45% of all exports out of the UK are destined for the EU. Regarding security issues, it is worth noting that the UK has access to the security forces of almost all member states with easy exposure to all finger print and DNA samples at will. Immigration issues can best be solved with support from other member states, the situation is not ideal but the UK on its own would be worse off as is the case with many of the European countries facing severe migration problems, some in and some out. It is worth mentioning that the EU is a leading block protecting the environment and in terms of protecting its citizens has done well to keep the roaming charges down and has helped in regulating flight fares reducing them by some 40% in recent years.

The question is also that are the UK voters aware of the unintended consequences? The C4FF forecaster has predicted that if the UK leaves the EU, Scotland will seek independence within two years from the day of departure. Would Wales or even Northern Ireland become more independence minded? Furthermore, the UK currently does not have the resources to monitor, let alone control, its own borders; and its borders are protected by a cascade of controls from Turkey to France which will no longer. Furthermore, considering the situation in the Middle East, it is predicted that is more likely to have more refugees, as there no serious prospect of peace and in fact the rivalries of the players in region is making the future trends even more perilous.

It is also pertinent to mention that the argument that the EU officials are not elected is travesty of justice as all MEPs have to be elected and that majority of the officials are the previously elected members of the national Governments or appointed by the respective member states as is the case in the UK successive Government make-ups.

The summary above was produced by the Chairman of the C4FF, Professor Dr Reza Ziarati. The following is an unbiased report by C4FF on facts and figures used to make the predictions.

Introduction to the Current State of Affairs

The European Union (EU) is a political and economic partnership between 28 European Countries. The United Kingdom's (UK) Prime Minister, David Cameron, has called for a Referendum on whether Britain should remain or leave the EU on the 23rd of June 2016. The impact of a Britain exit (Brexit) from the EU depends on a complex interplay of factors such as EU Trade, Investment, Immigration and Security to which many people have very limited information.

One area of contention lies in the size of the UK's annual contribution to the EU budget - and how that contribution could instead be better spent outside of the EU. According to European Union Finance Records¹ the UK government contributed £13 billion to the EU budget in 2015 while EU spending in the UK was £4.5 billion, meaning that the UK's 'net contribution' was estimated at about £8.5 billion. This includes the British rebate - worth almost £5 billion last year - and without this rebate the UK would have been liable for £18 billion in contributions to the EU. The Brexit campaigners argue that the UK contribution to the budget, namely, the "EU membership fee" is too expensive and that leaving the EU would result in an immediate availability of this money for the UK Government to spend directly on benefiting the UK tax payers in a range of ways such as greater investment in housing and the National Health Service (NHS). Pro EU campaigners however argue

¹ Figures are for 2015. Sources: HM Treasury "European Union Finances 2015"; EU Council Decision 2014/335/EU; Article 311 of the Treaty on the Functioning of the European Union.

that the EU membership fee is acceptable as the financial advantages such as increased income from free trade and inward investment benefit the UK economy far more than the EU membership fee costs, one example, the argument that being an EU member state makes Britain more attractive to Foreign Direct Investment (FDI), as 50% of UKFDI is EU related.

Another area for contention relates to the UK's trade deficit with the EU. The EU, as a single market, is the UK's biggest trading partner, as 45%² of UK exports are to the EU and 50% of imports come from the EU to the UK. Pro EU campaigners argue that leaving the EU would leave Britain in economically vulnerable as there would be no ability for the UK to stop EU countries imposing tariffs on their goods and services, making the UK pay substantially higher prices than it does currently in order to close or even exceed the trade gap. There is also the belief that leaving the EU would mean that the UK would lose out on trade deals as it is argued that being part of the world's largest free trade block (25% of global GDP) gives the UK leverage and access to free trade deals the UK would not be in the position to secure independently; for example, the on-going Transatlantic Trade and Investment Partnership (TTIP) between the EU and US which is expected to create the world's largest free trade area which is believed greatly to benefit the UK. However, Pro Leave campaigners argue that without the EU, Britain can independently pursue international trade deals with China, India and the US; and give a greater focus on its interest and build stronger economic partnerships with its Commonwealth partners such as Australia, Canada, South Africa and so forth.

Another ongoing debate is centred on the benefits the UK receives in terms of Foreign Direct Investment (FDI) from being a member of the EU. The UK is the largest recipient of FDI in the EU; with the EU being the source of 46% of inward FDI in the UK in 2013³; this equates to approximately 3 million UK jobs being reliant on the EU. Such FDI benefits the UK economy, drives growth and creates jobs. The UK economy and City of London, as a result, are seen by the world as a gateway to Europe with half of all European headquarters of non-EU firms currently based in the UK. Pro EU campaigners argue that leaving the EU would immediately reduce the attractiveness of the UK as a place to invest and do business and hence limits the City of London's status as one of the world's biggest financial centres, with the argument that this would damage the economy and risks thousands of jobs being lost; for example, in April 2016 Airbus wrote to its 15,000 UK employees stating that leaving the EU could limit future investment with the funds instead possibly being redirected to China or the US. Pro Leave campaigners make the argument that the Centre for Economic and Business Research (Cebr) currently ranks the UK as the world's 5th biggest economy and is predicted to overtake Japan and Germany in the future and thus is a key mallrat for European and International firms who will not cut ties, investment and growth in the UK if the UK were to leave the EU, indeed Airbus despite warning that its future investment in the UK may be limited if the UK were to leave the EU have stated they do not intend to withdraw completely.

Furthermore, The European Union also supports Infrastructure, Research, Knowledge, Innovation, Technology and Business through grant funding totalling millions of Euros a year through schemes such as Horizon2020, COSME European Regional Development Funds and European Social Funds etc. The UK is one of the largest recipients of research funding in the EU. In 2014 under the first 100 calls for proposals under the Horizon 2020 funding scheme the EU signed 3,236 grant agreements which

² BBC News 2016 Source: http://www.bbc.co.uk/news/politics/eu_referendum

³ Global Counsel 2015 Source: http://www.global-counsel.co.uk/system/files/publications/Global_Counsel_Impact_of_Brexit_June_2015.pdf

included funding contributions from the EU of 5.5 billion Euro⁴ with the UK being the 10th⁵ most successful country in receiving funding from this particular funding stream. All this is additional funding for Research, Innovation, and Business that would not necessarily be available were the UK to leave the EU. The EU funding helps to generate hundreds of jobs and keeping the UK in the lead in business and higher education led cutting edge research areas such as automotive and aerospace. The EU also provides funding and opportunities to students and graduates from the UK through its exchange training programmes (Erasmus+) and free travel policies which provide opportunities for students to visit, earn and work in 28 other countries. Education funding is also working to establish common educational standards and systems to allow qualifications to be recognised across the EU thus making training and working abroad in the EU easier for young people with higher qualifications. However schemes which provide new and better opportunities for UK graduates to study and work abroad also make it easier for EU graduates (and lower skilled workers) to come to the UK to work, which therefore brings us to the topic of immigration - perhaps the most contested issue of this referendum. It is worth noting that many countries outside the EU, such as Norway or even Turkey, are entitled to benefit from the EU research (such as Horizon), education (such as Erasmus +) and other funding opportunities but leaving EU would have psychological effects on forming partnerships and alliances in joint blue sky research and subsequent exploitation activities of research outputs.

Immigration is a fraught issue in the UK. One of the EU's founding principles is the free movement of people along with free movement of goods, services and money. Although there are temporary measures that can be put in place to limit immigration in the short-term, ultimately these principles are non-negotiable requirements of the EU member states. As such, the UK, if it is to remain a member of the EU, has to give up immigration controls relating to other EU member states. Over the years, despite stricter controls on non-EU countries the overall level of immigration into the UK has continued to rise with particular immigration hotspots being from eastern and southern Europe. According to National Statistics 942,000 Eastern Europeans Romanians and Bulgarians and 791,000 Western Europeans are working in the UK⁶. Those who wish to leave the EU argue that we can only regain control of our borders if we leave the EU and institute a 'points-based' immigration system similar to Australia. This would ensure that we continue to take in people with the skills/qualifications our economy needs and less lower skilled workers who do not benefit the country. It may be also be true some immigrants may be taking jobs away from UK citizens and having a greater control of our border could help to lessen pressure on our schools, hospitals and housing systems trying to cope with 'open door' immigration of the EU. However those who wish to remain in the EU point out that the UK does have a certain level of control over its borders as it is not part of the free travel Schengen Area and that actually the free movement of people across the EU benefits UK citizens as approximately 1.8 million⁷ UK citizens are living or working abroad in other EU countries. They also make the argument that the very fact the UK has skills shortages necessitate the need for immigrants, citing the NHS, stating that it would not function without doctors and nurses from foreign countries. The point that we need a healthy, flexible policy to immigration in the EU - at least until our own citizens can fill these gaps in our economy. Leaving the UK will

⁴ <https://ec.europa.eu/programmes/horizon2020/en/horizon-2020-statistics>

⁵ https://ec.europa.eu/programmes/horizon2020/sites/horizon2020/files/horizon_2020_first_results.pdf

⁶ BBC News 2016 Sources: http://www.bbc.co.uk/news/politics/eu_referendum

⁷ <http://www.ft.com/cms/s/0/5cd640f6-9025-11e3-a776-00144feab7de.html#axzz45DIQDKG7>

immediately impact and restrict the UK's immigration policies which will be felt disproportionately in London and impact on its status as one of the world's leading, competitive and multi-cultural cities.

Another argument for consideration is the fact that if the UK withdraws from the EU it will no longer have to comply with the EU Charter of Fundamental Rights which became legally binding on the UK in 2009. The Charter protects EU citizen's dignity, freedoms, equality, solidarity, citizens' rights, and justice. Other legislation the UK is required to enforce as part of the EU includes workers rights such as: health and safety at work, anti-discrimination, and equal opportunities. Those who wish to leave the EU campaign on the principle that the UK is better able to define the human/workers rights than politicians in Brussels argue that the UK is more than capable to enact a British Bill of Rights to ensure the well-being of their citizens. However pro EU campaigners point out a flaw in this argument as it is not the EU that enforces human rights law in Europe but the European Court of Human Rights (ECHR), which is a separate body to the EU. Leaving the EU would not exempt the UK from the ECHR and the UK would still be subject to their decisions such as a recent controversial decision that the UK must give all prisoners the vote. Pro EU campaigners argue that leaving the ECHR would seriously damage the UK's international reputation on human rights as the UK was one of the founding members of this institution giving the UK a respected voice on the world stage on a whole range of issues regarding human rights.

It is clear to see that the impacts of a British EU exit would be varied and be affecting the UK for years to come, with businesses and citizens facing years of uncertainty as the UK fundamentally changes its relationship with the EU and the rest of the world. Therefore, the true test of responsibility of the both the Pro and Anti EU campaigners, during the referendum, is how they argue the position of the UK in 10 years' time. It is then up to the voters to decide whether they believe a future inside or outside the EU is better. So far both sides have not been convincing with quantitative metrics as to where the UK will be in 10 years' time.